



CONNECTICUT DEPARTMENT OF **CONSUMER PROTECTION**

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MICHELLE H. SEAGULL | COMMISSIONER

**Testimony of Michelle Seagull  
Commissioner of Consumer Protection**

**Public Safety and Security Committee  
Public Hearing, March 3, 2020**

**SENATE BILL 21 “AN ACT AUTHORIZING SPORTS WAGERING, INTERNET  
GAMING, A CASINO GAMING FACILITY IN BRIDGEPORT, ENTERTAINMENT  
ZONE FACILITIES, INTERNET LOTTERY AND INTERNET KENO”**

**SENATE BILL 268 “AN ACT CONCERNING INTEREST ON LOTTERY SALES  
AGENT DELINQUENCY ASSESSMENTS”**

**HOUSE BILL 5167 “AN ACT CONCERNING STUDIES OF THE EFFECT OF  
LEGALIZED GAMBLING”**

**HOUSE BILL 5168 “AN ACT AUTHORIZING SPORTS WAGERING IN THE  
STATE”**

**HOUSE BILL 5189 “AN ACT CONCERNING ONLINE LOTTERY GAMES IN THE  
STATE”**

**HOUSE BILL 5190 “AN ACT ESTABLISHING A COMMISSION ON GAMING”**

**HOUSE BILL 5395 “AN ACT CONCERNING ADVANCED DEPOSIT WAGERING”**

Senator Bradley, Senator Hwang, Representative Verrengia, Representative Sredzinski and Honorable members of the Public Safety and Security Committee, thank you for the opportunity to offer testimony regarding several bills on your agenda today.

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*SENATE BILL 21 “AN ACT AUTHORIZING SPORTS WAGERING, INTERNET GAMING, A CASINO GAMING FACILITY IN BRIDGEPORT, ENTERTAINMENT ZONE FACILITIES, INTERNET LOTTERY AND INTERNET KENO”*

This bill would significantly expand legal, commercial gaming in Connecticut and, consistent with our statutes, would require the Department of Consumer Protection (DCP) to regulate this expanded scope of online and facility-based legalized gaming and other entertainment. DCP would need substantial resources to implement this proposal. Additionally, as currently drafted, the new commercial casino, entertainment zone facilities, sports wagering, online lottery and keno would not require licensure. The lack of any such licensing would mean the state would be inhibited from bringing enforcement action against these entities in the event of a violation of law.

*SENATE BILL 268 “AN ACT CONCERNING INTEREST ON LOTTERY SALES AGENT DELINQUENCY ASSESSMENTS”*

The Department of Consumer Protections (DCP) appreciates the Public Safety and Security Committee’s willingness to raise this bill. This bill, which was requested by DCP, would clarify that when the Connecticut Lottery Corporation (CLC) is calculating delinquency assessments on retailers, the interest calculation applied must be simple rather than compound.

Currently, the statute is not clear and, as such, the state has been imposing delinquency assessments using compound interest calculations, based on an advisory opinion issued by the former Division of Special Revenue. The application of compound interest calculations makes it prohibitive, if not impossible, for some lottery sales agents in breach of their fiduciary duty to pay off their debt, and thus for the state to collect revenue owed.

DCP appreciates the Committee’s consideration of this proposed statutory change and respectfully requests a favorable report for this bill.

*HOUSE BILL 5167 “AN ACT CONCERNING STUDIES OF THE EFFECT OF LEGALIZED GAMBLING”*

This bill would amend Connecticut General Statutes (CGS) Sec. 12-564 to require that the Commissioner of the Department of Consumer Protection (DCP) conduct a study, before

October 1, 2020 and then within every ten years thereafter, concerning the effect of legalized gambling on Connecticut's residents. This statutory requirement, which has existed since 1979, has been amended several times to move the timeline for conducting the study.

The last gaming study was conducted in 2008 by the Division of Special Revenue (DOSR) through a contract with Spectrum Gaming Group. "Gambling in Connecticut: Analyzing the Economic and Social Impacts," which was published in 2009, cost the state **\$685,000**. Following that publication, the statute was amended to require that the next study be completed by January 1, 2019. A fiscal note was attributed to that statutory amendment; however, funds were never appropriated to DOSR. In 2011, DOSR was moved to DCP as part of the Malloy Administration's consolidation of state agencies, and because the funds were never allocated, another study has not been contemplated since the consolidation.

Should this bill pass, DCP would need to immediately issue an RFP to find a research consulting firm to conduct the study. While DCP recognizes the benefits of conducting this study, especially with the numerous proposals to expand gaming in Connecticut, the funding to do so would need to be appropriated before the process could be initiated.

*HOUSE BILL 5168 "AN ACT AUTHORIZING SPORTS WAGERING IN THE STATE"*

This would allow for online and in person sports wagering at the two tribal casinos, online and in-person sports wagering through CLC, online and in-person sports wagering at all Sportech facilities, and in-person sports wagering at the MMCT commercial casino as well as at multiple entertainment zones.

While DCP currently regulates gaming activity conducted through CLC and Sportech, along with the slot activity at the two tribal casinos, this proposal adds an entirely new arena of gaming activity with new licensees and online forums. This new form of wagering will allow for new forms of payment, new licensees and investors, new methods for authenticating wins and payouts, and new types of financial records to audit. Sports wagering is an expansive form of gaming that more resembles financial trading than slot machines, and one in which the outcomes are more easily subverted than other forms of gaming. Licensing, investigation and enforcement will need to take a new approach to oversight and need to hire staff with different specialties that are better suited to this electronic forum of gaming.

## HOUSE BILL 5189 “AN ACT CONCERNING ONLINE LOTTERY GAMES IN THE STATE”

This bill would allow the Connecticut Lottery Corporation (CLC) to set up a system to offer online lottery games and digital Keno, if signed off on by Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut. This proposal would create a new forum for legal gaming in our state. DCP would need additional resources to implement and regulate this new area of gaming, however, at this point it is impossible to know exactly what DCP would need to implement and regulate this proposed language, as it would depend on the scope of the agreement with the Tribal Nations. This language needs to be modified to allow the regulatory costs to be funded through the assessment on the CLC consistent with other regulatory activities performed regarding the CLC. Based on the language of the bill, such an agreement would not be entered into until after the legislation is passed. Additionally, should this proposal continue through the legislative process this session, DCP would request that lines 61 through 64 be revised to require regulations rather than official procedures in order to regulate this new gaming activity. Official procedures are adopted before CLC introduces a new game. This proposal does not just create one game, it creates an entire system, and therefore regulations should be written and adopted, rather than official procedures. DCP would also respectfully request that in lines 55 and 56, which calls for an Independent Private Manager, that a licensing provision be added to ensure appropriate regulatory oversight.

## *HOUSE BILL 5190 “AN ACT ESTABLISHING A COMMISSION ON GAMING”*

This bill would create a Gaming Commission and create a new department within the State of Connecticut to regulate gaming activity, reversing the agency consolidation implemented in 2011. The Legislature eliminated the Gaming Policy Board in 2013 through Public Act 13-229, naming the Department of Consumer Protection the successor agency, in order to streamline operations. While this is a policy decision for the Legislature and Governor, it is important to note that it would require significant additional resources to implement. Many of the functions that are necessary to run a department or a division within a department, such as business office support, licensing, legal, information technology, and administrative support for commissioners would require the hiring of new staff as these positions service multiple divisions

within the agency and could not be transferred to this new entity without creating vacancies within DCP that would require filling.

*HOUSE BILL 5395 “AN ACT CONCERNING ADVANCED DEPOSIT WAGERING”*

Connecticut General Statutes (CGS) Chapter 226 requires the Department of Consumer Protection (DCP) to regulate off-track betting in the State of Connecticut and very clearly requires that wagers originating from within this state cannot be accepted unless such transaction is conducted, and accepted, by an operator licensed by DCP. While this regulatory framework has been amended for various reasons since the early 1970’s, the required state regulation of wagers on races originating from Connecticut has been consistent. In the early 1990’s the statutes were amended several times, and ultimately, the state was required to negotiate and enter into a licensing agreement with a single entity to operate this industry. By virtue of a certain agreement with the State entitled State of Connecticut Off-Track Betting System Purchase Agreement dated as of June 30, 1993 (“OTB Agreement”) and Chapter 226 of the Connecticut General Statutes, Sportech Venues, Inc. (“Sportech”) is the State’s exclusive off-track betting association licensee. Pursuant to the OTB Agreement, Sportech is expressly and exclusively authorized to accept wagers on horse racing event originating or placed from within the boundaries of the State of Connecticut.

Last year, Sections 358 and 359 of Public Act 19-117 reiterated that “No person or business organization, other than the authorized operator of the off-track betting system, shall conduct off-track betting in the state or accept off-track betting wagers or advance deposit wagers originating or placed from within the boundaries of the state.” This language updated the statutes to address advances in technology whereby more wagers are being placed via telephone or through the internet. It did not however, add regulatory requirements to this form of gaming – those requirements already existed. The Public Act also added more teeth to the enforcement of these statutory requirements by clarifying penalties associated with any violation of the law by any entity conducting off-track betting or accepting advance deposit wagers.

Since the enactment of PA 19-117, DCP has worked with Sportech to allow out-of-state business entities to solicit, collect and route wagers originating from the State of Connecticut to Sportech for acceptance and processing. Such activity is consistent with state and federal law and

will allow the state to collect tax revenue from the out-of-state operators that legally enter into advance deposit wager agreements with Sportech.

The proponents of this bill have suggested that the Interstate Horseracing Act (“IHA”) somehow renders the need for a state gaming license to accept advance deposit wagers moot. It, in fact, does the opposite. Section 15 U.S. Code § 3004 (Regulation of interstate off-track wagering) states that “an interstate off-track wager may be accepted by an off-track betting system only if consent is obtained from... the off-track racing commission.” The “off-track racing commission” is defined as the entity designated by State statute or regulation with jurisdiction to regulate off-track betting. In this instance, that is DCP. Based on the IHA and state law, Sportech is the only authorized entity to conduct off-track betting, including transactions that originate, or are placed from, within the bounds of the State of Connecticut.

PA 19-117 added the enforcement teeth necessary to bring those violating our licensing and tax laws into compliance, repeal of this language will reverse this progress and enable those entities that have been ignoring our laws to continue to do so.

Moving forward, DCP is happy to work with the proponents of these bills. Please contact our Legislative Director, Leslie O’Brien, should you have any questions.